

A leading global Mining-Tech company



7 February 2022

Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2001

Dear Sir / Madam,

IMDEX FY2022 Half Year Results Teleconference and Webcast

Please find attached the script from today's 1H22 Results Teleconference and Webcast.

Yours faithfully

Imdex Limited

A handwritten signature in black ink, appearing to read "Michael Tomasz". The signature is fluid and cursive, with a prominent flourish at the end.

Michael Tomasz
Company Secretary

This announcement has been approved for lodgement by the Company Secretary.

ABOUT IMDEX

IMDEX is a leading global Mining-Tech company, which enables successful and cost-effective operations for drilling contractors and resource companies. The Company develops drilling optimisation products and cloud-connected sensors to provide real-time rock knowledge and quality data. Together they enhance decision making and sustainable operations across the mining value chain – from the drill rig to the core farm and processing plant. www.imdexlimited.com

FURTHER INFORMATION

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IMDEX FY22 HALF YEAR RESULTS PRESENTATION

COVER

Slide 2

Forward Looking Statements

Slide 3

IMDEX is a Leading Global Mining-Tech Company

Welcome everyone.

Joining me on the call today is Paul Evans, our Chief Financial Officer.

We are delighted to provide an update on our strong performance for the first half of the 2022 financial year.

For listeners who are new to IMDEX, we are a **leading global Mining-Tech** Company.

We distinguish our business from the broader mining services arena in the following ways:

- We place technical leadership at the core of our growth strategy.
- We build that technical leadership through consistent investment in R&D, to design and deliver patented technologies.
- We are neither capital intensive, nor people intensive.
- We are truly global, with limited contract risk, commodity risk and geography risk.
- And finally, we are developing an integrated solution set that works together, rather than as individual products, to build a high-quality revenue base with increasing EBITDA margins.

As you will shortly see, the features of this business model are evident in our results for the half.

IMDEX technologies enable resource companies and drilling contractors, to **find, define** and **mine** orebodies – with **precision** and at **speed**.

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Slide 4

Presentation Overview

Today's presentation agenda is set out on slide 4.

We will focus on three key areas:

- Our financial and operational highlights, including a deeper dive into our financial performance, which Paul will give;
- An update on the broader industry trends and the IMDEX business both; and finally
- The outlook for the balance of FY22.

Following the presentation, Paul and I are happy to take any questions.

Slide 5

FY21 Financial Highlights

Turning now to slide 5 and our financial highlights.

We achieved record revenue of \$167.8m, up 35% on the prior period. We achieved a record EBITDA of \$51.5m, up 55% on 1H21.

Our EBITDA margin of 30.7% represents a 15% uplift and highlights the strong fixed cost leverage available in our business model.

Net Profit After Tax was \$24.4m, another record result, and is up 81% on 1H21.

The combination of 35% revenue growth, 55% EBITDA growth and 81% NPAT growth, is the strongest possible statement of the underlying quality of the IMDEX business and the IMDEX business model.

This performance has been achieved with a stable net operating cash position. The overall reduction in net cash is directly attributable to investments in our growth strategy.

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Finally, our directors declared a fully franked interim dividend of 1.5 cents per share, consistent with our capital management policy.

Slide 6

1H22 Operational Highlights

Our record financial results continue to be driven by our exemplary operational performance. As highlighted in our announcement this morning, there were many operational achievements for the half. I will call out some of the key points on slide 6.

Safety is always a priority. No growth comes at the expense of our people and our focus remains heightened during COVID. Pleasingly, there were no lost time injuries for the half.

I'd like to acknowledge our IMDEX teams around the world who should be commended for their ongoing commitment and focus on keeping each other safe.

Initiatives introduced by IMDEX's Chief People Officer, Kiah Grafton and her team, have made a significant contribution to our culture, as reflected by our recent employee engagement survey.

One of these initiatives is our traineeship program, which was officially launched during the half. This program develops a pipeline of skilled talent, to build a capable workforce aligned to our current and future business needs.

Similarly, our annual internship program continues to evolve. This initiative provides high-calibre university students, with practical on-the-job training opportunities at IMDEX. During 1H22, we hosted 14 interns across 7 workgroup domains, with a number being offered permanent graduate positions. Both of these initiatives form part of our new Kickstart a Career @ IMDEX.

You will note on the top right, there continued to be strong demand for our rock knowledge sensors and software. The average number of sensors on hire for the half was up 35%. Pleasingly, the volume of spectra analysed through our recently acquired aiSIRIS platform was up by 45%, highlighting the importance of this acquisition and its successful integration.

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There are two further R&D achievements I would like to call out:

- Firstly, additional client trials with our IMDEX BLAST DOG™ took place during the half. These trials included end-to-end integration of BLAST DOG™, IMDEX HUB-IQ™ and the MinePortal software.
- Secondly, the development and deployment of our first premium revenue IMDEX HUB-IQ™ module. A paid-for SaaS Quality Assurance solution for survey data.

During the half we made significant progress in mitigating supply chain risk that existed for high-tech components and raw materials for our drilling optimisation fluids. We undertook a number of measures including:

- Increasing our internal manufacturing capabilities – you will note our manufacturing of gyro-related technologies for the period exceeded 2H21;
- Securing additional sources of supply for raw materials and key components;
- Increasing inventory in response to increased freight times;
- Reducing freight volumes by shipping concentrate then blending locally; and
- Improved utilisation of our sensors.

You will recall our global digital rentals project, which formed part of our Digital 1.0 Transformation, enables us to track and efficiently distribute sensors to where they are needed anywhere in the world. Our Digital 2.0 Transformation will build on our ability to maximise return on assets and further streamline operational costs.

Finally, and most importantly, I want to acknowledge our IMDEX employees and partners around the world. Without your efforts, we would not have been able to respond to the market demand and fundamentally improve the quality of our business. It is a genuine pleasure to represent such a great team.

Slide 7

1H22 Financial Performance

I will now hand over to Paul, to discuss the financials in more detail.

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Slide 8

Key Metrics

Thanks Paul.

Paul has covered the headline numbers, so I will expand on some of the key metrics on slide 8.

Our EBITDA of \$51.5m differs from the reported statutory EBITDA of \$54.2m, as it excludes the \$2.7m gain for the Flexidrill deferred consideration adjustment. This gain is based on the regular assessment of a number of factors including:

- Forward revenue estimates for the technologies;
- FX;
- Dividend projections; and
- IMDEX's share price.

The appreciating share price has given rise to the majority of this gain in the half.

Net cash at 31 December was down \$17.4m, or 36.7% from the pcp. There was a positive cash flow from operations, which I will talk to in more detail later in the presentation, with the majority of the reduction largely representing cash outlays during the half to support our growth strategy. Most notably, the \$1m AusSpec deferred consideration payment and \$14.3m for our MinePortal and Datarock investments. Additional capex expenditure supporting the strong industry demand and the higher dividend payments were also contributing factors.

Our FTEs were up 11.6% to 558 compared to 31 December 2020 to support the additional growth in the business.

I would now like to refer you to the graph on the top right. This illustrates the half on half revenue profile since 1H20, being the last equivalent period not impacted by COVID. Paul mentioned revenue had increased 35% over the pcp and it is now 31% over the 1H20 pre-COVID peak.

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To better understand the increase in our revenue, it is important to highlight 1H21 was more heavily impacted by COVID, particularly in the early months. Activity gradually recovered throughout CY21, boosted by strong industry fundamentals and a keen willingness by clients to increase operations.

All regions are now exceeding pre-COVID revenue levels with rig capacity constraints starting to appear, most notably in North America and Australia. South Africa, South America and Asia, which were slower to recover, are showing continued improvement.

Slide 9

A Strong Financial Platform

Moving now to slide 9 and expanding on our revenue by region on the left.

47% of our revenue is now generated from the Americas, up from 41% in 1H21, 30% from Asia Pacific, and the balance from Africa and Europe.

We continued to outperform industry growth rates, as demonstrated by our 15% 5-year revenue CAGR. One of our internal benchmarks is the S&P exploration expenditure for nonferrous metals, which had a 5-calendar year CAGR of 9%.

The graph in the centre illustrates our strong trend of earnings growth with a five-year EBITDA CAGR of 24%.

Despite increasing supply chain costs in our Drilling Optimisation fluids business, this demonstrates the strength in our gross margin, with the sensors and software revenue growing at a faster rate. This has allowed the business to fund the additional investment to support this growth, as evidenced by the increase in our FTE and investment in systems.

The graph on the right shows our steady EBITDA margin growth and demonstrates ongoing price leverage as our revenue base has increased. You will note our EBITDA margin continued to be maintained above 30% for the half.

Slide 10

Strong Cash Generation

Looking at Slide 10.

Our operating cashflow conversion continued to be strong at 75% on a pre-tax basis.

From the EBITDA result of \$51.5m, there was a net inflow of operating cash of \$33.1m. In absolute terms, the net inflow from operations, was similar to the pcp and up 14% when excluding the tax paid during the period.

Also noted, our working capital investment ratio of 40 cents for every dollar of incremental revenue has increased above historical levels. This is in response to the longer freight times for products that Paul mentioned earlier. A large portion of this increase is still in transit at the end of the period. This is evident with our higher inventory holding on the next slide.

Slide 11

Balance Sheet

Looking briefly now at our balance sheet at 31 December on slide 11.

I have spoken to the net cash and mentioned the inventory increase. Other notable balances include:

- **Intangibles** includes the increased IP from the acquisition of MinePortal and \$1.8m of capitalised software costs.
- **Investment in Associates** relates to our initial 30% investment in Datarock; and
- **Other** includes lease liabilities, together with the deferred consideration for the purchase of Flexidrill of \$9.9m and AusSpec of \$1.5m.

Pleasingly, with the improved financial performance, our Return on Equity and Return on Capital Employed increased to 19.4% and 23.3% respectively.

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I will now hand back to Paul for an industry and market update.

Slide 12

Industry and Market Update

Thank you, Paul. Moving to slide 13.

Slide 13

Strong Industry Fundamentals

The fundamentals driving industry growth remain very compelling.

As reported with our full year results:

- Strong commodity prices are leading to significant budget increases for exploration programs;
- Capital raisings have remained strong, and a large portion of that money is still to be deployed; and
- The trend towards decarbonisation is expected to drive a longer industry upcycle.

Slide 14

Increasing Demand for Mining-Tech

Corresponding, demand for mining technologies that originate and enrich orebody data is increasing.

This quote by BHP Head of Geoscience Excellence, Cam McCuaig, elegantly describes how IMDEX adds value.

Specifically, generating not only more data, but better-quality data and critical insights downstream for efficient decision making in the pursuit of real-time orebody knowledge.

Slide 15

Our Market and the Impact of COVID-19

Paul has made comment on activity by region for the half and the overall growth opportunities.

The most significant challenges remain supply chain bottlenecks for the industry at large, together with labour availability and mobility. Whilst high levels of drilling activity have driven a demand for our established technologies, the combination of low labour availability and restricted site access, has limited the ability for resource companies to conduct new product trials, including the Flexidrill technologies.

As you saw in the first half, we are successfully mitigating supply chain risks and we have a number of initiatives underway to attract additional talent we need. Concurrently, we are continuing to pursue additional joint development agreements for new product trials. Our progress with BLAST DOG™ demonstrates the strength of this more collaborative approach.

In summary, we continue to believe that COVID and its ever-changing requirements will be with us for the next 2 years and we are setting our business up accordingly.

Slide 16

Short-term Industry Constraints

Slide 16 includes a selection of quotes from significant industry players that highlight the labour and supply chain pressures, particularly in Australia, Canada and the USA.

We maintain, however, that the mining industry is certainly keen to increase expenditure and activity to meet strong underlying demand.

Once again with constraints come opportunities. In our view, the challenges we will continue to meet in the short term, may lead to a longer more stable cycle.

Slide 17

Business Overview

I will now provide an overview of the strength of our core business and growth strategy on slide 18.

Slide 18

Strong Core Business in All Market Conditions

IMDEX is a strong and resilient business.

- Our year-on-year EBITDA margin expansion highlights our relentless focus on efficient operations and the improving quality of our product mix.
- Our global reach to some 70% of mine sites worldwide is unmatched.
- Our world-class R&D capabilities, facilities and intellectual property portfolio is unrivalled and accordingly;
- Our business consistently outperforms minerals industry growth rates.

It is worth noting that over the last calendar year, total S&P expenditure was forecast to grow by approximately 35%. Critically, however, total meters drilled is only 20 – 25% depending on the region. This disparity can be attributed to increased spend on non-drilling activities, such as targeting, permitting, increased health and safety compliance for all drilling operations, the challenge of drilling at depth and finally, the gradual impact of increased input costs.

Slide 19

Our Integrated Solutions

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We have included the graphic on slide 19 in many of our presentations. It aims to illustrate the breadth of our product offering and how the products work together as solutions.

We develop and offer these solutions in three broad groups:

- First, **Drilling Optimisation Products** that reduce the cost of drilling, enhance safety and are critical drivers in improving exploration success – particularly with deeper drilling;
- Second, best-in-class **Rock Knowledge Sensors**, that deliver quality data across the four components of rock knowledge – being location, grade, texture, and mineralogy; and
- Third, **cloud-based software** to originate, enrich and distribute quality data, to where it needs to be anywhere in the world, with a secure chain of custody.

We are accelerating our investment in the mining production space across all three.

We help drilling contractors and resource companies both. We help them drill faster and smarter. We help them understand their orebodies in real-time. And we do this right across the mining value chain.

Slide 20

A Stronger Revenue Profile

Slide 20 shows the evolution of our revenue profile over the past five years. I would like to draw your attention to the following:

- Our recurring higher-margin Sensor and Software revenue has been increasing and as advised earlier, sits at 59% for 1H21, up from 57% at the full year;
- We are expanding our presence in the mining production stage; and
- We are seeing accelerated growth opportunities in the Americas.

Our commodity exposure continues to be representative of exploration expenditure globally and our product offering is largely commodity agnostic.

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You will note on the right that we expect critical metals to grow at a faster rate due to the shift towards decarbonisation. Our product offering is well suited to leverage this shift.

Slide 21

Four Compelling Growth Drivers

Moving now to our growth strategy on slide 21.

While our market is dynamic, our underlying strategy remains the same.

Prioritising our technology leadership is key; and leveraging our core competencies into the mining production market, is a natural extension.

As highlighted in our previous presentations, our growth opportunities come from four key areas. I will now provide a brief update for each of these drivers.

Slide 22

On Track with Growth Strategy

We have shared a number of highlights for the half and I will speak to a selection of them across all four quadrants of our growth strategy on slide 22.

Starting in the bottom left quadrant, our core business in exploration and development had a number of successes:

- Our average revenue per unit was up 12% on the pcp demonstrating the increasing demand for our next generation technologies.
- While total revenue was up 35% over the same period, our IMDEXHUB-IQ™ connected revenue was up 46%.

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- IMDEX survey sensors completed 106 million metres for the half, an uplift of 31% from the pcp and rapidly chasing down the record 173 million metres, that were surveyed during FY21.

Moving to the top left and new technology development.

The acquisition and integration of the aiSIRIS software has been successful as is evident by the increasing customer utilisation and uplift of spectra analysed.

Moving now to the two righthand quadrants in the mining production side.

We are pleased BLAST DOG™ testing resumed with our JDA partners late in FY21 and we were able to sign up additional trials with new clients during the half.

Most critical to these trials was the end-to-end integration of the BLAST DOG™ sensors with our IMDEX HUB-IQ™ platform and our recently acquired MinePortal software, which enabled clients to visualise 3D orebody data in real-time throughout the duration of the trial without having to travel to site. The power of this technology offering and the ability to monitor progress in real-time, has been critical to the success of the trial.

Slide 23

FY22 Focus Areas and Outlook

Moving now to the final section of this presentation to our focus areas and outlook on slide 24.

Slide 24

Focus Areas

Protecting our people and protecting our business will remain our priority. Similarly, we will continue to pursue the four focus areas we announced in August:

1. Prosecuting our R&D roadmap to accelerate product development and growth opportunities;

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2. Additional joint development agreements to engage with resource companies and drilling clients for new product development and delivery;
3. Building our key account management capabilities and technical teams to deliver our optimised solutions; and
4. Our Digital 2.0 Transformation to further streamline costs and enhance the client experience.

More specifically, during 2H22 we anticipate additional investment will be directed to:

- Our mining production technologies; and
- Integrating our MinePortal and Datarock software solutions.

It is pleasing that we have been able to make these investments in the future of business and continue to expand our margins, highlighting the discipline with which we approach these investments.

Slide 25

Positive Outlook

Finally, some brief commentary on the outlook for FY22.

For IMDEX it is compelling.

- At an industry level, the underlying fundamentals are excellent, notwithstanding the short-term bottlenecks.
- January activity is strong and has resumed as we expected it would. Our sensors on rent at 31 January are up 22% on the pcp.
- Our core business is stronger than it has ever been and continues to improve in quality with each half.
- And finally, we have four clear growth drivers, all of which are on track.

Paul and I are now happy to take any questions.

Closing Comments